

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Mendon Downtown Development Authority	County St. Joseph
Fiscal Year End 03/31/06	Opinion Date 06/09/06	Date Audit Report Submitted to State 09/08/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

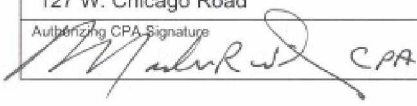
YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No Comments and Recommendations	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Norman & Paulsen, P.C.		Telephone Number 269-651-3228	
Street Address 127 W. Chicago Road		City Sturgis	State MI
Authorizing CPA Signature 		Printed Name Michael R Wilson	License Number 1101017570

**MENDON DOWNTOWN DEVELOPMENT AUTHORITY  
MENDON, MICHIGAN**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**MARCH 31, 2006**

**MENDON DOWNTOWN DEVELOPMENT AUTHORITY**

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Norman & Paulsen, P.C.

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## INDEPENDENT AUDITOR'S REPORT

Authority Board  
Mendon Downtown Development Authority

We have audited the accompanying financial statements of the governmental activities and the major fund of the Mendon Downtown Development Authority, Michigan, (a component unit of the Village of Mendon) as of and for the year ended March 31, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mendon Downtown Development Authority management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Mendon Downtown Development Authority, as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Norman & Paulsen, P.C.*

June 9, 2006

## **MENDON DOWNTOWN DEVELOPMENT AUTHORITY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Mendon Downtown Development Authority financial performance provides an overview of the Authority's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Authority's financial statements.

#### **Financial Highlights**

The Authority's overall financial position increased by \$187,932 during the fiscal year ended March 31, 2006, which represents 27 percent of the net asset position at the beginning of the year.

The Authority's Governmental Funds reflected a total fund balance at March 31, 2006 of \$665,239, which was an increase of \$111,656 from the prior year end.

The total Governmental Fund expenditures for the year ended March 31, 2006, amounted to \$687,534, of which \$550,000 were funded from a bank loan.

#### **Using This Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide financial statements by providing information about the Authority's most significant funds.

**MENDON DOWNTOWN DEVELOPMENT AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**The Authority as a Whole**

The following table shows, in a condensed format, the net assets as of the current year end and compared to the prior year end under the modified accrual basis of accounting:

	Governmental Funds	
	2006	2005
Assets	\$ 767,951	\$ 736,102
Liabilities	102,712	182,519
Fund Balance - Unreserved	<u>\$ 665,239</u>	<u>\$ 553,583</u>

The following table shows, in a condensed format, the net assets of the current date as required by GASB 34 stated under the full accrual basis.

	Governmental Activities	
	2006	2005
Current and other assets	\$ 767,951	\$ 736,102
Capital assets	580,964	51,188
Total assets	1,348,915	787,290
Current and other liabilities	27,382	103,689
Long-term debt outstanding	450,000	-
Total liabilities	477,382	103,689
Net assets		
Invested in capital assets, net of related debt	130,964	51,188
Unrestricted	740,569	632,413
Total net assets	<u>\$ 871,533</u>	<u>\$ 683,601</u>

# MENDON DOWNTOWN DEVELOPMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets during the current year as compared to the prior year, under the modified accrual basis of accounting:

	Governmental Funds	
	2006	2005
Revenue		
Taxes - Village captured	\$ 101,624	\$ 83,887
Taxes - Other governmental units captured	124,629	103,809
Federal grant - CDBG	-	210,000
Interest	13,057	4,513
Other	9,880	5,068
Loan proceeds	<u>550,000</u>	<u>-</u>
Total revenue	799,190	407,277
Program expenses		
Economic development	<u>687,534</u>	<u>478,780</u>
Excess (deficiency)	<u>\$ 111,656</u>	<u>\$ (71,503)</u>

The following table shows, in a condensed format, the changes in net assets as of the current date as required by GASB 34 stated under the full accrual basis of accounting.

	Governmental Activities	
	2006	2005
Revenues		
Program revenues		
Operating grants	\$ -	\$ 210,000
General revenues		
Captured property taxes	226,253	187,696
Unrestricted investment earnings	13,057	4,513
Miscellaneous	<u>9,880</u>	<u>3,898</u>
Total revenues	249,190	406,107
Expenses		
Economic development	<u>61,258</u>	<u>401,240</u>
Change in net assets	<u>\$ 187,932</u>	<u>\$ 4,867</u>

## **MENDON DOWNTOWN DEVELOPMENT AUTHORITY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **The Authority's Funds**

Our analysis of the Authority's major funds begins on page 8, following the government-wide financial statements. The fund financial statements provide detailed information about the significant funds, not the Authority as a whole. Major funds for the fiscal year ended March 31, 2006 include the General Fund. The General Fund pays for all of the Authority's economic development services and is funded primarily by captured property taxes.

#### **General Fund Budgetary Highlights**

As shown in the required supplemental information, the Authority budgeted an increase of \$94,900 in the original budget and a decrease of \$5,100 in the amended budget. Actual operating results ended up as an increase of \$111,656.

The original budget was amended to reflect an increase in debt service - principal expenditures.

#### **Capital Assets and Debt Administration**

During the year ended March 31, 2006, the Authority purchased land improvements at the industrial park for \$532,236.

During the year ended March 31, 2006, the Authority borrowed \$550,000 for the purchase of the above industrial park land improvements and paid down the principal by \$100,000.

#### **Contacting the Authority's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Authority office.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF NET ASSETS  
MARCH 31, 2006

	<u>Primary Government</u>	<u>Governmental Activities</u>
ASSETS		
Cash and investments	\$ 466,368	
Receivables - net	226,253	
Receivables, long-term portion	75,330	
Capital assets - net	<u>580,964</u>	
Total assets		1,348,915
LIABILITIES		
Accounts payable		27,382
Debt obligations:		
Due within one year		115,500
Due in more than one year		<u>334,500</u>
Total liabilities		<u>477,382</u>
NET ASSETS		
Invested in capital assets, net of related debt		130,964
Unrestricted		<u>740,569</u>
Total net assets	<u>\$</u>	<u>871,533</u>

See accompanying notes to financial statements

**MENDON DOWNTOWN DEVELOPMENT AUTHORITY**

**STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2006**

				Net (Expense) Revenue and Changes in Net Assets
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	
Primary government				
Governmental activities:				
Economic development	\$ <u>61,258</u>	\$ <u>-</u>		\$ (61,258)
General revenues:				
Captured property taxes				226,253
Unrestricted investment earnings				13,057
Miscellaneous				<u>9,880</u>
Total general revenues				<u>249,190</u>
CHANGE IN NET ASSETS				187,932
NET ASSETS - BEGINNING				<u>683,601</u>
NET ASSETS - ENDING				<u>\$ 871,533</u>

See accompanying notes to the financial statements

## **FUND FINANCIAL STATEMENTS**

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

GOVERNMENTAL FUNDS  
BALANCE SHEET  
MARCH 31, 2006

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 466,368
Due from other governmental units	226,253
Land contract receivable	<u>75,330</u>
Total assets	<u>\$ 767,951</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 27,382
Deferred revenue - land contract	<u>75,330</u>
Total liabilities	102,712
 FUND BALANCE	
Unreserved, undesignated	<u>665,239</u>
Total liabilities and fund balance	<u>\$ 767,951</u>

See accompanying notes to the financial statements

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

GOVERNMENTAL FUNDS  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
MARCH 31, 2006

Total governmental fund balances	\$	665,239
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental capital assets	\$	593,094	
Less accumulated depreciation		<u>(12,130)</u>	580,964

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay current expenditures. Those assets are offset by deferred revenues in the governmental funds and, therefore, not included in fund balance.

Deferred land contract	75,330
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Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.

Note payable	<u>(450,000)</u>
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Net assets of governmental activities	<u>\$</u>	<u>871,533</u>
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See accompanying notes to the financial statements

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

GOVERNMENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
YEAR ENDED MARCH 31, 2006

	<u>General Fund</u>
REVENUES	
Taxes - Village captured	\$ 101,624
Taxes - Other governmental units captured	124,629
Interest	13,057
Other	<u>9,880</u>
Total revenues	249,190
EXPENDITURES	
Economic development	
Contracted services	1,080
Administrative fee	16,160
Professional services	2,715
Supplies	24
Promotions	2,475
Utilities	5,231
Repairs	998
Projects	549,696
Miscellaneous	1,248
Debt service - principal	100,000
Debt service - interest	<u>7,907</u>
Total expenditures	<u>687,534</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(438,344)
OTHER FINANCING SOURCES	
Loan proceeds	<u>550,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	111,656
FUND BALANCE - BEGINNING	<u>553,583</u>
FUND BALANCE - ENDING	<u><u>\$ 665,239</u></u>

See accompanying notes to the financial statements

**MENDON DOWNTOWN DEVELOPMENT AUTHORITY**

**GOVERNMENTAL FUNDS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2006**

Net change in fund balances - total governmental funds                      \$        111,656

Amounts reported for governmental activities in the  
statement of activities are different because:

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those  
assets is depreciated over their estimated useful lives.

Expenditures for capital assets	532,236
Depreciation expense	(2,460)

Revenues in the statement of activities that do not provide  
current resources are not reported as revenues in the  
funds, but rather are deferred to subsequent fiscal years.

Collections on land contract	(3,500)
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Loan proceeds provide current financial resources to  
governmental funds in the period issued, but issuing debt  
increases long-term liabilities in the statement of net  
assets. Repayment of loan principal is an expenditure in  
the governmental funds, but the repayment reduces long-  
term liabilities in the statement of assets.

Proceeds from installment loan	(550,000)
Principal payments on debt obligations	<u>100,000</u>

Change in net assets of governmental activities	<u><u>\$        187,932</u></u>
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See accompanying notes to the financial statements

**MENDON DOWNTOWN DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Mendon Downtown Development Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant accounting policies establishing GAAP and used by the Authority are discussed below.

**Reporting Entity**

The Mendon Downtown Development Authority was established in January 1986, in accordance with Michigan Act 198, 1975. The Authority operates a Board-Chairperson form of government and its basic purpose is to reestablish and maintain the vitality of business in the Village of Mendon.

The accompanying financial statements pertain to the financial activities of the Mendon Downtown Development Authority. These activities have also been presented with the financial statements of the Village of Mendon, Michigan, as a component unit.

**Basis of Accounting - Government-Wide Financial Statements -** The statement of net assets and the statement of activities display information about the Authority as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**MENDON DOWNTOWN DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Authority and for each governmental and component unit program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Some functions, such as administrative and financial services include expenses that are, in essence, indirect expenses of other functions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Authority.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**Basis of Accounting - Fund Financial Statements** - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the Authority or meets the following criteria:

- \* Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

**MENDON DOWNTOWN DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

- \* Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The Authority reports the following major funds:

**General Fund** - The general fund is the general operating fund of the Authority. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from captured property taxes from other governmental units. The following is a description of the major category and fund type within that category:

**Governmental Fund** - All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**Revenue Recognition** - "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Authority considers captured property taxes, interest revenue and charges for sales and services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within one year after year end except for property taxes for which collection must be within two months of year end. Reimbursements due for state and federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

**MENDON DOWNTOWN DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Expenditure Recognition** - The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The following is a description of the governmental fund types of the Authority:

**General Fund** - The general fund is the general operating fund of the Authority. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from captured property taxes from other governmental units.

**Budgets and Budgetary Accounting** - Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general fund. The Authority adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget. The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

- \* On or about March 31, the Authority Board submits to the Village of Mendon Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- \* Public hearings are conducted to obtain taxpayer comments.
- \* On or about April 1, the budget is legally enacted through passage of resolution.
- \* The Authority Board is authorized to transfer budgeted amounts within departments.

**MENDON DOWNTOWN DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

- \* The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles.
- \* Appropriations for the general fund lapse at the end of the fiscal year.
- \* Budgeted amounts are as originally adopted or as amended by the Authority Board.

**Deposits and Investments** - Statutes authorize the primary government and component units to invest in the following:

- \* In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- \* In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a saving and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- \* In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- \* In United States government of federal agency obligation repurchase agreements.
- \* In banker's acceptances of United States banks.
- \* In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- \* In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**MENDON DOWNTOWN DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Receivables and Payables** - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/due from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Capital Assets and Depreciation** - Capital assets, which include property, buildings and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Depreciable Life-Years</u>
Land improvements	15-40
Buildings and improvements	15-50
Machinery and equipment	5-20
Furniture and other	3-7

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**MENDON DOWNTOWN DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006**

**NOTE 2 - CASH AND INVESTMENTS**

The Authority uses financial institutions for cash and cash equivalent purposes, which are in accordance with statutory authority.

The accounts maintained in the financial institutions are checking and investment pool funds.

At March 31, 2006, the carrying amount of the Authority's deposits was \$466,368 and the bank balance was \$466,368. The differences between the balances are the result of checks issued by the Authority but not yet presented for payment. The risk exposure of all cash and cash equivalents at March 31, 2006, is as follows:

Insured	\$ 13,976
Uninsured	<u>-</u>
Total cash and cash equivalents	<u>\$ 13,976</u>

The Authority's remaining cash and cash equivalents at March 31, 2006, consists of an investment pool, the Government Cash Reserves Fund in the amount of \$452,392, which by definition, are not categorized by risk. The carrying values and market values are the same for these investments.

**NOTE 3 - RECEIVABLES**

Receivables in the governmental activities include \$124,629 due from Mendon Township for captured taxes and \$101,624 due from the Mendon Village for captured taxes.

Accounts receivable in the governmental activities are reported net of an allowance for uncollectible accounts of -0-.

Receivables, long-term portion in the governmental activities is a land contract receivable collectible in monthly installments of \$652 including interest at 5.5% final installment due December, 2014.

**MENDON DOWNTOWN DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006**

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity for the year ended March 31, 2006, was as follows:

	As Amended Balance April 1, 2005	Additions	Disposals	Balance March 31, 2006
<u>Primary Government</u>				
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 36,265	\$ -	\$ -	\$ 36,265
Capital assets, being depreciated:				
Land improvements	-	532,236	-	532,236
Buildings and improvements	-	-	-	-
Machinery and equipment	<u>24,593</u>	<u>-</u>	<u>-</u>	<u>24,593</u>
Subtotal	24,593	532,236	-	556,829
Accumulated depreciation				
Land improvements	-	-	-	-
Buildings and improvements	-	-	-	-
Machinery and equipment	<u>9,670</u>	<u>2,460</u>	<u>-</u>	<u>12,130</u>
Subtotal	<u>9,670</u>	<u>2,460</u>	<u>-</u>	<u>12,130</u>
Net capital assets being depreciated	<u>14,923</u>			<u>544,699</u>
Net capital assets	<u>\$ 51,188</u>			<u>\$ 580,964</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Economic development	<u>\$ 2,460</u>
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**MENDON DOWNTOWN DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006**

**NOTE 5 - LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year ended March 31, 2006:

	Balance April 1, 2005	Additions	Reductions	Balance March 31, 2006
Bank note payable	<u>\$ -</u>	<u>\$ 550,000</u>	<u>\$ 100,000</u>	<u>\$ 450,000</u>

Long-term debt payable at March 31, 2006, consisted of the following individual issues:

Note payable to bank at interest rate of 3.55%, monthly payment of principle and interest of \$10,949, final payment due December 15, 2010, secured by real estate.	<u>\$ 450,000</u>
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**Debt Service Requirements**

The annual requirements to service all debt outstanding as of March 31, 2006 including both principal and interest, are as follows:

	Principal	Interest	Total
2007	\$ 115,500	\$ 15,888	\$ 131,388
2008	119,500	11,888	131,388
2009	123,755	7,633	131,388
2010	<u>91,245</u>	<u>3,239</u>	<u>94,484</u>
Total	<u>\$ 450,000</u>	<u>\$ 38,648</u>	<u>\$ 488,648</u>

**NOTE 6 - CAPTURED TAXES**

Captured taxes represent the property taxes on the increment in taxable value of the downtown development district property since the adoption of the development plan. These taxes are earmarked for purposes consistent with the development plan.

**MENDON DOWNTOWN DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006**

**NOTE 7 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The annual budget is prepared by the Authority management and adopted by the Authority Board; subsequent amendments are approved by the Authority Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles.

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Authority were adopted on a fund level basis.

During the year ended March 31, 2006, the Authority incurred no expenditures in excess of the amounts appropriated at the legal level of budgetary control.

**REQUIRED SUPPLEMENTAL INFORMATION**

**MENDON DOWNTOWN DEVELOPMENT AUTHORITY**

**REQUIRED SUPPLEMENTAL INFORMATION  
GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED MARCH 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
REVENUES				
Taxes - Village captured	\$ 90,000	\$ 90,000	\$ 101,624	\$ 11,624
Taxes - other governmental units captured	100,000	100,000	124,629	24,629
Interest	4,500	4,500	13,057	8,557
Other	<u>9,400</u>	<u>9,400</u>	<u>9,880</u>	<u>480</u>
Total revenues	203,900	203,900	249,190	45,290
EXPENDITURES				
Economic development				
Contracted services	1,000	1,000	1,080	(80)
Administrative fee	13,500	13,500	16,160	(2,660)
Professional services	36,850	36,850	2,715	34,135
Supplies	750	750	24	726
Promotions	4,000	4,000	2,475	1,525
Utilities	7,000	7,000	5,231	1,769
Repairs	15,000	15,000	998	14,002
Projects	570,000	570,000	549,696	20,304
Miscellaneous	2,700	2,700	1,248	1,452
Debt service - principal	-	100,000	100,000	-
Debt service - interest	<u>8,200</u>	<u>8,200</u>	<u>7,907</u>	<u>293</u>
Total expenditures	<u>659,000</u>	<u>759,000</u>	<u>687,534</u>	<u>71,466</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(455,100)	(555,100)	(438,344)	116,756
OTHER FINANCING SOURCES				
Loan proceeds	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	94,900	(5,100)	111,656	116,756
FUND BALANCE - BEGINNING	<u>553,583</u>	<u>553,583</u>	<u>553,583</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 648,483</u>	<u>\$ 548,483</u>	<u>\$ 665,239</u>	<u>\$ 116,756</u>